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CENTRAL INTELLIGENCE AGENCY

PERON AND THE ARGENTINE CONGRESSIONAL ELECTIONS

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SUMMARY

Congressional elections scheduled for 7 March will furnish the first formal test of Argentine President Peron's political strength since his election on 24 February 1946. At stake are 83 of the 158 seats in the lower house in which the administration now enjoys a two-thirds majority. That this majority will not be decreased by the elections is highly probable. Unless unforeseen events, therefore, bring about a vote less favorable to Peron than is expected, it may be assumed that Argentine policies of cooperation with the US will continue.

Peron's strength lies in his successful exploitation of labor support—won through benefits conferred on the working class—on the one hand, and his ability concurrently to retain support of the army on the other. Army support is indispensable to Argentine Presidents, but there is no reason to think Peron will not retain it at least until after the elections. The assurance of continued labor backing is less definite. In the past, Peron has brought about enormous benefits for labor, but in order to combat inflation and to insure the success of a Five-Year Plan on which he has staked his political future, he has had to oppose further labor gains while demanding greater labor production. That this has lost him some labor support is inevitable; that the loss will have become significant by the time of the elections is improbable.

Meanwhile, Peron's evident determination to curb labor's demands and stimulate productivity for the success of his Five-Year Plan of industrialization appears to be forcing him to cultivate the support of business and industry in what may prove to be a major attempt at a political realignment. Should he retain a two-thirds majority, moreover, Peron might effect constitutional changes that would enable him to enforce measures designed to control labor in the interest of greater productivity, and would look to increased business backing to compensate for probable loss of some labor support.

Cooperation of the present regime with the US has resulted from Peron's conviction that large quantities of industrial capital equipment which are indispensable to the success of the Five-Year Plan may be obtained from the US alone. Since this condition is likely to persist and since the strongest elements of the organized opposition to Peron (which have shown no disposition to cooperate with the US) will be powerless to resist Peron's majority, Argentina's recent collaboration in the interest of Hemisphere Solidarity may be expected to continue after 7 March.

Note: The information in this report is as of 12 February 1948, at which time the report was submitted to the member agencies of the Interdepartmental Advisory Council for coordination.

This paper has the concurrence of the intelligence organizations of the Departments of the Army, Navy, and the Air Force. The dissent of the Intelligence Organization of the Department of State is set forth in Enclosure "A."

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Elections in Argentina are scheduled for 7 March 1948 to choose 83 of 158 members of the lower house of the national congress. Peron's regime is based on cooperation of the army and mass labor support. Continued military cooperation appears assured. Although labor has been disturbed both by inflation and measures taken by the President to promote labor productivity to combat inflation, it is estimated that the extent of labor disaffection will not preclude the return of a Peronista majority of two-thirds. However, Peron's injunctions to labor to produce more and demand less, his reported intention to seek legislative authority to enable him to compel labor to comply with these injunctions and his recent overtures to business and industry indicate that concern for the successful implementation of his Five-Year Plan of industrialization may be forcing him to attempt a fundamental political realignment.

The redistribution of political power which culminated in the election of Peron to the Presidency on 24 February 1946 so changed the foci of political strength that the forces operative in the coming elections cannot satisfactorily be analyzed in terms of contending political parties alone. With the necessary acquiescence of the army, Peron came to power on the support of masses of labor voters who had previously been virtually inarticulate in any political sense. This mass labor support, which has since been loosely consolidated in the Peronista Party, gave Peron a political strength which so overshadowed the individual traditional parties as to make any one of them relatively insignificant as a contender with the present regime. Consequently, since the issue is primarily the continuation of Peronismo, in the absence of any coalition move among the opposition parties, the election results will in all probability be determined by the extent to which Peron has retained army cooperation and his mass labor support, or gained new strength to offset any losses he may have sustained.

Peron's ability to combine mass labor support with the cooperation of the army, which traditionally has exercised a sanction over any presidential aspirant or incumbent through a potential threat of a *coup d'etat,* has been a unique feature of his success. To a considerable extent he has gained and retained the support of these two disparate groups through the bestowal of large material benefits at the expense of the *Oligarquia* (wealthy landholders) and the middle class.

In the case of the army particularly, Peron has further advanced his own program as an expression of Argentine nationalism and successfully engaged in shrewd maneuver against powerful Nationalist elements bitterly opposed to his policy of collaboration with the US. There appears to be little doubt that the military cooperation essential to the continuity of his regime will be forthcoming at least through the March elections.

The extent of possible disaffection from Peron's previously overwhelming labor support is of crucial importance in estimating Peronista prospects for retention of a two-thirds majority. While present labor discontent may well result in a measurable amount of disaffection as registered at the polls in March, Peron retains, in general, the

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mass support of the working class which he gained by effecting substantial economic and social gains in its behalf. He has employed skillful demagogy and ruthless manipulation of unions and their leaders to consolidate and exploit his labor support, but his contributions to improvement in worker status include replacement of a feudal pattern of labor relations with an advanced legal code, social insurance, and minimum wages. These reforms were accomplished in a period of months as contrasted with the generations of bitter strife that have accompanied attainment of these ends in many other countries. In achieving this revolution, Peron taught labor that the Federal Government is available for its interests; as a result, it has acquired a confident class and political consciousness. The majority of workers regard the President as the personal symbol of a social revolution which released them from the control of the conservative landholders and industrialists and gave them their first concrete hope of economic betterment through political action.

The disaffection from Peron's labor support arises both from the inflationary situation and the President's measures to meet that situation. Although the rise in prices has by no means been as severe in Argentina as in many other countries, and labor has in general gained economically in relation to other income groups, the fact remains that labor's real income is no higher than before the war and it has become restive. The President has found himself compelled, as a sort of quid pro quo for his services to labor, to demand increased productivity of labor to combat the inflation that he sees as a threat to his Five-Year Plan of industrialization and even to the stability of his government, and thus since late 1946, he has taken various measures which—even if partly countered by pre-election steps to win back support—must have dampened the enthusiasm of many among his labor following.

During 1947 he reduced governmental influence in favor of labor in wage negotiations, prevailed on the powerful government-dominated CGT union to urge that strikes for wage increases be initiated only under exceptional circumstances, and openly denounced labor for an alleged 40% decline in productivity, threatening to impose a system of fines and bonuses to force increased production. On the other hand, presumably temporary measures recently taken to assure a maximum labor vote in the coming elections include the silencing of official criticism of labor for demanding and not producing, as well as a more tolerant attitude on the part of the government toward demands for wage increases.

The Nationalists and the Communists have both achieved limited success in their efforts to exploit current labor unrest. Nevertheless, on balance, it is estimated that labor disaffection will not prove sufficient to preclude the return of a two-thirds Peronista majority in the March elections, primarily because of Peron's remaining prestige with the working class and the apparent inability of the opposition to put forward a program or the leadership to challenge effectively his revolutionary program.

Significant for the future of the Argentine political scene is the fact that the President is reportedly making a special effort to retain a two-thirds majority in the next Congress in order that he may effect constitutional changes that will enable him to enforce measures designed to control labor in the interest of greater productivity.

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Further, in his determination to control inflation and stimulate production for the success of his Five-Year Plan, he has during the past few months made overtures to business and industrial elements to secure their cooperation and support. It is believed that this effort to enlist business support has not progressed sufficiently to influence the March elections materially either in alienating labor or gaining conservative backing, but it is considered indicative of a significant move toward a political realignment that may prove of major importance in the future of Peronismo and political control in Argentina.

An additional condition which Peron considers indispensable to the success of his Five-Year Plan is the procurement of large quantities of industrial capital equipment from the US. His conviction that the US is the only adequate source of such equipment and his strong antipathy toward Communism account in very large measure for the remarkable degree of cooperation which he has offered the US despite the resistance of all opposition groups of importance.

Since Peron has demonstrated and continues to seek collaboration with the US based on his conception of Argentine interests and, further, since all significant opposition groups oppose such collaboration, it follows that his probable success in retaining a two-thirds majority on 7 March is favorable for the attainment of immediate US policy objectives in relation to Argentina.

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ENCLOSURE "A"

DISSENT OF THE INTELLIGENCE ORGANIZATION
DEPARTMENT OF STATE

The intelligence organization of the Department of State does not concur in subject Estimate.

It is believed that the estimate of the balance of power within the Peronista Party itself, which is not touched upon in ORE 8-48, is central to such a study and cannot be adequately forecast on the basis of present information.

Subject estimate implies that the Peronista Party is pro-United States, in clear distinction to the opposition parties. It is submitted that to the degree with which the Congress supervises the Administration's dealings with the United States government, Peron has had to defer to the opinion of anti-United States groups within his own party in the past. The strength of anti-United States Peronistas in the new Congress will likewise affect execution of policy in the future. Thus the maintenance of a two-thirds majority by the Peronista Party will not *ipso facto* represent a development "favorable for the attainment of immediate US policy objectives in relation to Argentina" or "in the interest of hemispheric solidarity."

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